



**“SCOOP”**

## **SPECIAL EDITION**

**ARKANSAS FARM SERVICE AGENCY - - STATE OFFICE**

**June 2008**

### **2008 Farm Bill Overview**

#### **The “Act”**

The Food, Conservation, and Energy Act of 2008 (Act), Pub. L. 110-234, was enacted into law on May 22, 2008. The Act provides for the following:

- Continuing Direct and Counter Cyclical (DCP) for 2008 through 2012
- Authorizes an Average Crop Revenue Election (ACRE) program for 2009 through 2012

Federal regulations and program policies and procedures are currently being drafted and developed and will be finalized over the next several months. Continue to watch more articles in future SCOOP publications.

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### Comparison to the 2002 ACT

2007 Covered Commodities Eligible for DCP Under the 2002 Act	2008 Through 2012 Covered Commodities Eligible for DCP Under the Act
Barley	Barley
Corn	Corn
Grain Sorghum	Grain Sorghum
Oats	Oats
Other Oilseeds (Canola, Crambe, Flaxseed, Mustard Seed, Rapeseed, Safflower, Sesame Seed, or Sunflower Seed)	Other Oilseeds (Canola, Crambe, Flaxseed, Mustard Seed, Rapeseed, Safflower, Sesame Seed, or Sunflower Seed)
Peanuts	Peanuts
	Pulse Crops
Rice	Long Grain Rice
	Medium Grain Rice
Soybeans	Soybeans
Upland Cotton	Upland Cotton
Wheat	Wheat

**Note:** Although peanuts are **not** included in the statutory definition of covered commodities, they are treated as a covered commodity.

### DCP Base Acres

Base Acres:

- in effect on September 30, 2007, will be in effect for 2008 DCP
- for long grain and medium grain rice will be recalculated.
  - **Note:** For 2008 and succeeding years, short grain and medium grain rice will be considered as medium grain rice.

For 2009, pulse crops will be added as a covered commodity. Pulse crops are defined as follows:

- chickpeas, large (Garbanzo bean, Kabuli)
- chickpeas, small (Garbanzo bean, Desi)
- dry peas
- lentils.

### Base Acre Adjustments

The Act provides for adjustments in base acres in the following situations:

- CRP contract expires or is voluntarily terminated
- cropland is released from coverage under CRP by the Secretary
- pulse crop acreage is established similarly to the establishment of oilseed acreage under the 2002 Act
- additional eligible oilseed acreage is established, because of the Secretary designating
- additional oilseeds, similarly to the establishment of oilseed acreage under the 2002 Act
- if the sum of the base acres on the farm plus the following items exceed the DCP cropland on the farm, the base acres on the farm **must** be reduced unless the double-cropping exception applies:
  - acreage enrolled in CRP or WRP
  - any acreage enrolled in a Federal conservation program for which payments are made in exchange for **not** producing an agricultural commodity on the acreage
  - the addition of any pulse crop acreage
  - the addition of any additional oilseed acreage.

### Payment Yields

Payment yields are required to be established for making direct and counter-cyclical payments for each farm for any designated oilseed or eligible pulse crop for which a payment yield was **not** established under the 2002 Act.

### Payment Acres

Under the 2002 Act, payment acres were 85 percent of the applicable base acres. The Act provides for the following percentages to compute payment acres.

Year	Percentage of Base Acres Used to Calculate Direct Payments	Percentage of Base Acres Used to Calculate Counter-Cyclical Payments
2008	85%	85%
2009	83.3%	85%
2010	83.3%	85%
2011	83.3%	85%
2012	85%	85%

### Prohibition on Payments

The Act prohibits direct payments, counter-cyclical payments, or average crop revenue election payments to a producer on a farm, if the sum of the base acres on the farm is 10 acres or less.

**Exceptions:** The following are 2 exceptions to the prohibition on payments:

- a socially disadvantaged farmer or rancher
- a limited resource farmer or rancher.

### Reduction in Bases

The Act directed that crop acreage bases for covered commodities and peanuts be reduced for land that has been subdivided and developed for multiple residential units or other nonfarming uses if the size of the tracts and the density of the subdivision are such that the land is unlikely to return to the previous agricultural use.

### Direct Payments

Direct payments will be issued for each of the 2008 through 2012 crop years of each of the covered commodities (other than pulse crops). Direct payment rates for the covered commodities receiving payments are as follows.

Crop	2008 Through 2012 Payment Rate
Barley	\$0.24/bu
Corn	\$0.28/bu
Grain Sorghum	\$0.35/bu
Oats	\$0.024/bu
Other Oilseeds	\$0.80/cwt
Peanuts	\$36/ton
Rice, Long Grain Rice	\$2.35/cwt
Rice, Medium Grain Rice	\$2.35/cwt
Soybeans	\$0.44/bu
Upland Cotton	\$0.0667/lb
Wheat	\$0.52/bu

**Note:** Although peanuts are **not** included in the statutory definition of covered commodities, they are treated as a covered commodity.

### **Advance Payments for Direct Payments**

Advance direct payments will be available for producer election for 2008 through 2011 crop years. The advance direct payment percentage is 22 percent. For 2008, advance payments will be made as soon as practical after the producer makes an election.

### **Payment Limitations for Direct Payments**

The payment limitation amounts for direct payments received, directly or indirectly, by a person or legal entity for crop years 2008 through 2012 are as follows.

<b>Crop</b>	<b>Payment Limitation</b>
Any covered commodity (except peanuts)	\$40,000
Peanuts	\$40,000

Payment limitation amounts will be adjusted for participation in ACRE in years 2009 through 2012. The timing of the advance direct payment for the 2009 through 2011 crop years are similar to advance direct payments under the 2002 Act.

### **Counter-Cyclical Payments**

Counter-cyclical payments will be:

- issued for each of the 2008 through 2012 crop years of each covered commodities if the effective price for the covered commodity is less than the target price for the covered commodity
- made after October 1 or as soon as practical after the end of the marketing year for the covered commodity.

If it is estimated that a counter-cyclical payment for a covered commodity will be issued, producers on a farm, for crop years 2008 through 2010, will be able to request partial advances for those counter-cyclical payments. The advance counter-cyclical payment may be requested at any time, but not later than 60 calendar days before the end of the marketing year for that covered commodity. The advance counter-cyclical payment will not exceed 40 percent of the projected counter-cyclical payment for the covered commodity for the crop year. The advance counter-cyclical payment will be made after completion of 180 calendar days of the marketing year for the covered commodity. The final counter-cyclical payment will be made beginning October 1, or as soon as practicable thereafter, after the end of the applicable marketing year for the covered commodity. The payment limitation amounts for counter-cyclical payments received, directly or indirectly, by a person or legal entity for crop years 2008 through 2012 are as follows.

### Counter-Cyclical - Payment Limitation

Crop	Payment Limitation
Any covered commodity (except peanuts)	\$65,000
Peanuts	\$65,000

Payment limitation amounts will be adjusted for participation in the ACRE Program in years 2009 through 2012.

### Target Prices

Crop	2008	2009	2010 Through 2012
Barley	\$2.24/bu	\$2.24/bu	\$2.63/bu
Chickpeas, Large (Garbanzo bean, Kabuli)		\$12.81/cwt	\$12.81/cwt
Chickpeas, Small (Garbanzo bean, Desi)		\$10.36/cwt	\$10.36/cwt
Corn	\$2.63/bu	\$2.63/bu	\$2.63/bu
Dry Peas		\$8.32/cwt	\$8.32/cwt
Grain Sorghum	\$2.57/bu	\$2.57/bu	\$2.63/bu
Lentils		\$12.81/cwt	\$12.81/cwt
Oats	\$1.44/bu	\$1.44/bu	\$1.79/bu
Other Oilseeds	\$10.10/cwt	\$10.10/cwt	\$12.68/cwt
Peanuts	\$495/ton	\$495/ton	\$495/ton
Rice, Long Grain	\$10.50/cw	\$10.50/cwt	\$10.50/cwt
Rice, Medium Grain	\$10.50/cw	\$10.50/cwt	\$10.50/cwt
Soybeans	\$5.80/bu	\$5.80/bu	\$6.00/bu
Upland Cotton	\$0.7125/lb	\$0.7125/lb	\$0.7125/lb
Wheat	\$3.92/bu	\$3.92/bu	\$4.17/bu

### ACRE Program

The Act authorizes ACRE Program payments. In crop years 2009 through 2012, producers who make an irrevocable election to receive ACRE Program payments will:

- **not** receive counter-cyclical payments on the farm
- be subject to a 20 percent reduction in direct payments for all covered commodities
- be subject to a 30 percent reduction in marketing assistance loan rates for all covered commodities.

**Note:** The ACRE Program is **not** available until 2009. More information will be provided in future.

### Payment Limitation and Eligibility Provisions

The Act makes changes to the provisions for payment eligibility, payment limitation, and adjusted gross income (AGI). Under the Act, the actively engaged in farming requirements remain applicable, the 3-entity rule is eliminated; payments are limited through direct attribution to the individual and entity, instead of by “person” as previously defined; and the AGI limitation is changed. The majority of these changes will be implemented for the 2009 and subsequent program years. For 2008 programs, the current rules for payment eligibility, payment limitation, and AGI remain applicable.

Payment Eligibility/Limitation Requirements	2008	2009 and Later Years
Actively engaged in farming.	X	X
AGI	X	X
Cash rent tenant rule.	X	X
Denying program benefits for scheme or device.	X	X
Family member rule.	X	X
Foreign person rule.	X	X
Husband/wife rules.	X	X
Minor child rule.	X	X
Payment limitation control by direct attribution.		X
Permitted entity rules.	X	
“Person” for payment limitation control.	X	
Preventing payments to deceased individuals		X
Review of estates open more than 2 years	X	X
Substantive change rule.	X	X

### Attribution Rule

Under attribution, the payment limitation is applied by crediting individuals and entities with both the amount of payments they receive directly and also the amount they are considered to have received indirectly by holding an interest in an entity receiving payment.

### Average AGI for 2009

Average AGI limitations for 2009 payment eligibility apply to both individuals and entities. For commodity and price support programs, if the individual or entity has:

- nonfarm AGI greater than \$500,000, the individual or entity is **not** eligible for DCP or price support benefits
- farm AGI greater than \$750,000, the individual or entity is **not** eligible for direct payments under DCP.

For conservation programs, if the individual or entity has:

Average AGI for 2009 continued:

- total AGI greater than \$1 million, the individual or entity is **not** eligible unless 66.66 percent is derived from farming, ranching, and forestry operations, as defined
- nonfarm AGI greater than \$1 million, the individual or entity is **not** eligible for conservation program benefits.

The definition of average AGI, derived from farming, ranching, and forestry operations, is being expanded to include income and benefits from:

- the production of all types of livestock and products produced or derived from livestock
- the production of farm-based renewable energy
- the processing, packing, storing, shedding, and transporting of farm, ranch, and forestry commodities, including renewable energy
- any activity related to farming, ranching, or forestry, as determined by the Secretary.

### **Compliance**

To be eligible to receive payments mentioned in this notice, producers who enroll in DCP

**Must:**

- comply with applicable conservation requirements under the Food Security Act of 1985, Title XII, subtitle B (16 U.S.C. 3811 et seq.)
- comply with applicable wetland protection requirements under the Food Security Act of 1985, Title XII, subtitle C (16 U.S.C. 3821 et seq.)
- comply with the planting flexibility requirements
- use the land on the farm, in a quantity equal to the attributable base acres for the farm and any base acres for peanuts, for an agriculture or conserving use and **not** for a nonagricultural commercial, industrial, or residential use
- effectively control noxious weeds and otherwise maintain the land according to sound agricultural practices if the land is **not** cultivated
- file an annual acreage report
- file a production report if participating in the ACRE Program.

### **2008 Crop Year Marketing Assistance Loans and LDP's Authorized**

The Food, Conservation, and Energy Act of 2008 (2008 Act) was enacted into law May 22, 2008. The 2008 Act authorizes 2008 crop marketing assistance loans (MAL's) and LDP's on wheat, oats, corn, grain sorghum, honey, rice, soybeans, graded and non-graded wool, mohair, barley, canola, crambe, dry peas, flaxseed, lentils, mustard seed, rapeseed, safflower, sesame seed, small chickpeas, and sunflower seed.

County Offices were authorized to accept MAL and LDP requests for all commodities except cotton and peanuts, beginning June 5, 2008. General MAL and LDP policies applicable to the 2007 crops will be in effect for the 2008 crop year. These policies include:



2008 Crop Year Marketing Assistance Loans and LDP's Authorized continued:

- MAL and LDP eligibility to producers who have complied with annual program requirements, including reporting all cropland acreage for applicable crops
- beneficial interest in the eligible commodity for which a loan or LDP is requested, including risk of producing the commodity
- a combined \$75,000 payment limitation for marketing loan gains and LDP's for all eligible commodities, with a separate combined \$75,000 payment limitation for:
  - graded and non-graded wool
  - honey
  - mohair
  - peanuts
  - unshorn pelts
- recourse loan availability for high moisture corn and grain sorghum
- GRAZE-OUT payments instead of LDP's for eligible producers who elect to use acreage planted to barley, oats, triticale, or wheat for grazing by livestock, and who agree to forego any other harvesting of the commodity on this acreage during the crop year

For more information about 2008 crop year marketing assistance loans and LDP's, contact your local FSA office.